



SOCWA / SOCRRRA Quarterly Reports

November 19, 2015

The Honorable Mayor Ellison and
Members of the City Commission:

Attached are the quarterly reports for the Southeastern Oakland County Water Authority (Attachment 1) and Southeastern Oakland County Resource Recovery Authority (Attachment 2). If you have any questions, please advise my office.

Respectfully submitted,
Greg Rassel
Director of the Departments of
Public Services and Recreation

Approved,

Donald E. Johnson
City Manager

2 Attachments



* Berkley * Beverly Hills * Bingham Farms * Birmingham
* Clawson * Huntington Woods * Lathrup Village * Pleasant Ridge
* Royal Oak * Southfield * Southfield Township

QUARTERLY REPORT October 2015

BOARD OF TRUSTEES	
Representative	Municipality
D. Schueller	City of Berkley
C. Wilson	Village of Beverly Hills
D. Warren	Village of Bingham Farms
P. T. O'Meara	City of Birmingham
H. Drinkwine	City of Clawson
C. Galed	City of Huntington Woods
M. Baumgarten	City of Lathrup Village
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
L. Schultz	City of Southfield
R. Walsh	Township of Southfield

OFFICERS	
Chairman:	H. Drinkwine
Vice Chairman:	G. Rassel
Secretary:	C. Galed
Advisory Committee:	H. Drinkwine S. Pietrzak

J. A. McKeen	General Manager
R. Jackovich	Operations Manager

October 2015

Board of Trustees
Southeastern Oakland County Water Authority

Subject: Quarterly Report - October 2015

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first three month's operation of the fiscal year 2015/16. The report contains a financial statement of the Authority's operation and an outline of projects in progress or completed during the quarter. The report also contains statistical information and other information of general interest to the members of this Authority.

BOARD OF TRUSTEES

The governing body of the Authority is a Board of Trustees, consisting of one representative from each constituent municipality. The Board held its Organization Meeting on July 8, 2015, and members were elected to serve as Officers for the fiscal year beginning July 2015. The current Officers are:

Chairman:	H. Drinkwine
Vice Chairman:	G. Rassel
Secretary:	C. Galed

Representatives on the Board are entitled to one vote for each 250 million gallons, or major fraction thereof, of water purchased during the preceding fiscal year. The number of votes of each constituent member for the fiscal year, beginning July 2015, is as follows:

Municipality	Votes
Berkley	1
Beverly Hills	1
Bingham Farms	1
Birmingham	3
Clawson	1
Huntington Woods	1
Lathrup Village	1
Pleasant Ridge	1
Royal Oak	7
Southfield	13
Southfield Township	<u>1</u>
Total:	31

The Board meets in regular session on the second Wednesday of each month for the purpose of conducting all business coming before the Board.

The Authority has entered into contracts with the individual members for an indefinite period of time, but at least to July 1, 2038. These contracts obligate the Authority to supply and sell water to the member municipalities, charging for this service a rate sufficient to pay the operating costs, capital improvements, and the obligations to the bondholders.

FINANCIAL STATEMENT

The total net income before depreciation for the first 3 months of 2015/16 was \$1,630,493. This is a significant increase from the net income of \$885,999 for the first 3 months of 2014/15.

	Actual	Compared to Budget
Revenue	\$8,458,261	- \$ 548,939
Expenses	\$6,827,821	- \$ 643,127
Net Income (before depreciation)	\$1,630,439	+\$ 94,187

Net income at this time of year is planned to be high in order to accommodate the fixed/variable rates we are charged by DWSD. DWSD is now collecting approximately 60% of their revenue through a fixed monthly charge. This results in a high fixed monthly charge but a low cost per thousand cubic feet purchased. In the first quarter of the year, our DWSD water bills were significantly less than they would have been under DWSD's previous rate design. Our DWSD water bills will be higher than historical levels in the colder months. We will be using some of the net income for the first quarter to pay these higher water bills later in the fiscal year.

The decrease in revenue was primarily due to significantly lower than planned water sales (-\$567,000). Expenses were lower than planned due to smaller than planned water purchases (-\$455,000), and decreases in non-labor Administrative & General expense (-110,000), labor (-45,000), utilities (-\$30,000) and maintenance (-\$5,000).

Water sales for the first 3 months of the fiscal year were 6.5% below budget but were 7.6% higher than the previous year. Water sales for the first 3 months are summarized in the table below. Additional financial detail is attached.

WATER SALES – DAILY AVERAGE (MGD)

Month	2011	2012	2013	2014	2015	Over or Under 2014
July	53.25	52.33	35.92	36.61	34.59	- 2.02
August	40.61	43.25	38.34	32.91	37.06	+ 4.15
September	32.13	38.20	32.31	28.27	33.86	+ 5.59
Million Gals./Day	42.10	44.67	35.56	32.68	35.18	+ 2.50
Variance	+6.1%	-20.4%	-8.2%	+7.6%		

We incurred capital expenditures of \$562 in the first quarter of the year which was the first in a series of expenditures to remodel the SOCWA offices at Webster Station.

The table below is the precipitation record, as recorded at the Webster Station. Total rainfall for the period was much lower than last year but we continued to experience frequent rain events in July, which substantially reduced the need for our residents to sprinkle their lawns.

PRECIPITATION - INCHES

Month	2011	2012	2013	2014	2015
July	3.40	3.80	3.00	2.70	1.30
August	3.30	4.30	3.30	7.20	2.10
September	7.80	2.00	2.00	2.20	1.30
Total:	14.50	10.10	8.30	12.10	4.70

MAJOR PROJECTS

DWSD RATE INCREASE

DWSD's rate to SOCWA increased by 19.0% as of July 1, 2015. SOCWA absorbed part of this rate increase due to the decreasing costs of SOCWA operations. SOCWA increased the rate to our members by 14.0%.

DWSD WATER ISSUES

Great Lakes Water Authority

Major changes are taking place at DWSD with the formation of the Great Lakes Water Authority (GLWA). The GLWA is scheduled to be operational as of January 1, 2016. DWSD has been very busy setting up the GLWA as an entirely new organization with new employee benefit plans, new human resources, payroll, accounting and bill systems, etc. Employment offers are being extended by the GLWA to existing DWSD employees in October. It is anticipated that GLWA will do some additional hiring in 2016 to fill vacant positions.

DWSD is also continuing to implement the many provisions of the leases that established the GLWA. Foremost among these is the negotiation of a Shared Services Agreement that will address services that DWSD and GLWA will be performing for each other. In addition, a number of important issues including bondholder consent, the assignment of the wholesale customer contracts from DWSD to the GLWA and the determination of the portion of the City of Detroit pension liability that is the responsibility of DWSD need to be completed before GLWA begins operations. SOCWA assigned our DWSD contract to SOCWA in August of 2015.

Sue McCormick, who is currently the Director of DWSD, was named the CEO of the GLWA in October. The GLWA Board conducted a national search that resulted in Ms. McCormick being selected as CEO. The water customer community, including SOCWA, were very happy with this decision as Ms. McCormick has had many major accomplishments as DWSD Director and is very customer focused. The selection of Ms. McCormick is an excellent decision that will result in the GLWA becoming effective in the shortest possible period of time.

Sue Coffey, formerly a Manager on the Oakland County Water Resources staff, has been named as GLWA's Chief Planning Officer. She will report directly to Sue McCormick and is responsible for all planning activities for both the GLWA water and sewer systems. DWSD has not had a planning person for many years. Sue will fulfill a very important role that has not been effectively performed in recent years.

The GLWA website, www.glwater.org, is a great source of information regarding the GLWA. The agendas and minutes for all Board and Board Committee meetings are posted along with procurement information about all projects being performed by the GLWA.

Board of Water Commissioners

J. Bryan Williams, the Commissioner representing Oakland County resigned from his position on August 27, 2015 citing conflict of interest concerns. Mr. Williams is an employee of Dickinson Wright, which is also representing the GLWA Board. Mr. Williams served on the Board for about 5 years and was an excellent representative of Oakland County. His experience and his contributions to the Board will be greatly missed.

Oakland County Water Resources Commissioner Jim Nash nominated Jody Caldwell of the WRC staff to be the next Commissioner representing Oakland County. Jody has extensive experience as a customer of DWSD, so he will bring a unique perspective to the Board.

2016/17 Water Rates

The process that will result in the rates from DWSD for 2016/17 has begun. A series of meetings are being held this fall to communicate rate information. Our proposed 2016/17 rates will be delivered by DWSD in late January 2016. SOCWA is continuing to explore increasing the level of fixed charges in the rates it charges to the member communities and outside customers. Currently, on an annual basis 10% of the revenue from each community is recovered through a fixed monthly charge. This concept will be reviewed with the Board before the 2016/17 rates are set. DWSD is continuing to provide a high level of communication with their customers by posting data on their website prior to each meeting and then reviewing the data at each meeting. SOCWA staff will be attending each of these meetings and we will report the results at the following Board meeting. We plan to have a rate projection for the SOCWA communities for review at the February, 2016 Board meeting.

DWSD Bond Ratings

The ratings on DWSD's outstanding bonds were increased by both Moody's and Fitch during the first quarter. Moody's stated "The management team has implemented strategies to increase efficiency, improve billing collections, provide better services, track financial performance, and update capital planning". This is important third party recognition of the progress that DWSD is making.

Suburban Wholesale Customer Debt

DWSD continues to have overdue bills for Melvindale and Highland Park. DWSD has received a judgment against Highland Park for the full amount owed but the Judge that issued the judgment has ordered the parties into confidential mediation. Highland Park has begun to pay some of their past due amounts.

City of Flint

DWSD began resupplying water to Flint on October 16, 2015. This was done in order to resolve a series of fiascos that began when Flint began to use their water treatment plant to provide water from the Flint River to the City of Flint in April of 2014. Flint had previously been a customer of DWSD. DWSD and Flint developed a 9 month contract which required Flint to pay the estimated cost of their water

purchases to DWSD before water began flowing. While I expect that Flint will purchase DWSD water for more than 9 months, Flint will ultimately become a customer of a new water authority that is constructing a water supply line from Lake Huron to Flint.

DWSD Customer Outreach Program

SOCWA staff is continuing to participate in the DWSD Customer Outreach Process. I have been serving as one of four elected customer co-chairs of the Technical Advisory Committee that guides this process. Significant progress has been made in improving the level of communication and understanding between DWSD and its customers through this process, which will be a continuing effort. SOCWA continues to be a strong proponent of DWSD's customer partnering process. SOCWA staff will also be working with other suburban water customers to make sure that the existing Customer Outreach Program is continued and enhanced under the GLWA.

SALE OF WATER TO BLOOMFIELD TWP.

SOCWA has been selling water to Bloomfield Twp. since July 1, 2011. SOCWA's contract with Bloomfield Twp. requires the township to physically interconnect their water system to SOCWA's water system. This interconnection, which is located on Quarton in Birmingham, has been completed. During the summer of 2015, SOCWA supplied a new pressure district that combines portions of the Bloomfield Hills and Bloomfield Twp. water systems. The operation of this interconnection had no adverse impact on either the SOCWA or Birmingham water systems.

INSPECTION OF THE 7.5 MILLION GALLON RESERVOIR AT WEBSTER STATION

We completed the painting of the internal and external surfaces of the 7.5 million gallon reservoir at Webster Station in July of 2014. This was a major project, which should protect the reservoir from corrosion over the next 20+ years. We performed an inspection of the interior surface of the reservoir one year after the completion of the project. The inspection was largely conducted using a Remote Operated Vehicle (ROV) which recorded video of the interior surface of the tank. This ROV inspection was augmented by inspection of the underside of the roof of the tank by an inspector floating on a raft inside the tank. Some minor issues were discovered which are being reviewed with the contractor that performed the painting.

ANNUAL AUDIT

Representatives of Plante & Moran were in the SOCWA office for about a week during September performing their audit of our accounting records. The final audit is being reviewed with the SOCWA Audit Committee during October, 2015 and will be reviewed by the SOCWA Board at their November, 2015 meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
BUDGET ANALYSIS
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

	ESTIMATED REVENUES	ACTUAL REVENUES	VARIANCES OVER OR UNDER
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$5,374,000.00	\$5,087,688.05	(\$286,311.95)
SALE OF WATER OTHERS	3,606,000.00	3,325,661.44	(280,338.56)
	<u>\$8,980,000.00</u>	<u>\$8,413,349.49</u>	<u>(\$566,650.51)</u>
<u>OTHER INCOME</u>			
RENTALS	\$13,800.00	\$13,586.00	(\$214.00)
WATER ANALYSIS-LAB & MISC.	2,500.00	23,969.19	21,469.19
GRANT REVENUE	1,000.00	0.00	(1,000.00)
INTEREST ON INVESTMENTS	9,900.00	7,355.98	(2,544.02)
	<u>\$27,200.00</u>	<u>\$44,911.17</u>	<u>\$17,711.17</u>
<u>TOTAL REVENUES</u>	<u>\$9,007,200.00</u>	<u>\$8,458,260.66</u>	<u>(\$548,939.34)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.00	\$0.00
WATER PURCHASE IN TRANSIT	6,826,000.00	6,371,014.80	(454,985.20)
POWER, PUMPING & GROUNDS WEBSTER	157,308.00	120,036.62	(37,271.38)
POWER, PUMPING & GROUNDS	69,090.00	37,410.37	(31,679.63)
COMPUTER OPERATIONS	17,750.00	12,597.36	(5,152.64)
PURIFICATION	16,500.00	18,139.73	1,639.73
METERS & MAINS	34,250.00	31,047.39	(3,202.61)
ADMINISTRATIVE & GENERAL	350,050.00	237,575.07	(112,474.93)
	<u>\$7,470,948.00</u>	<u>\$6,827,821.34</u>	<u>(\$643,126.66)</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$0.00	\$0.00	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL EXPENSES	\$7,470,948.00	\$6,827,821.34	(\$643,126.66)
NET INCOME BEFORE DEPRECIATION	<u>\$1,536,252.00</u>	<u>\$1,630,439.32</u>	<u>\$94,187.32</u>

Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT OF INCOME
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

	AMOUNT	2015/16 AVERAGE PER 1,000 CUBIC FEET	2014/15 AVERAGE PER 1,000 CUBIC FEET
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$5,087,688.05	\$16.1986	\$14.4600
SALE OF WATER OTHERS	3,325,661.44	28.0318	25.4800
	<u>\$8,413,349.49</u>	<u>\$19.4429</u>	<u>\$17.2678</u>
<u>OTHER INCOME</u>			
RENTALS	\$13,586.00	\$0.0314	\$0.0344
LAB & MISCELLANEOUS	23,969.19	0.0554	0.0012
INTEREST ON INVESTMENTS	7,355.98	0.0170	0.0111
	<u>\$44,911.17</u>	<u>\$0.1038</u>	<u>\$0.0467</u>
TOTAL REVENUES:	<u>\$8,458,260.66</u>	<u>\$19.5467</u>	<u>\$17.3145</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.0000	\$0.0000
WATER PURCHASE IN TRANSIT	6,371,014.80	14.7231	14.0191
POWER, PUMPING & GROUNDS WEBSTER	120,036.62	0.2774	0.2612
POWER, PUMPING & GROUNDS	37,410.37	0.0865	0.1009
COMPUTER OPERATIONS	12,597.36	0.0291	0.0323
PURIFICATION	18,139.73	0.0419	0.0390
METERS & MAINS	31,047.39	0.0717	0.0676
ADMINISTRATIVE & GENERAL	237,575.07	0.5490	0.5873
BOND INTEREST	0.00	0.0000	0.0000
	<u>\$6,827,821.34</u>	<u>\$15.7788</u>	<u>\$15.1074</u>
INC. BEFORE DEPRECIATION	\$1,630,439.32	\$3.7679	\$2.2069
DEPRECIATION	\$124,855.62	\$0.2885	\$0.3100
NET INCOME	<u>\$1,505,583.70</u>	<u>\$3.4793</u>	<u>\$1.8969</u>

Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

	TOTAL BUDGET 2015/16	ACTUAL 3 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$17,193,600.00	\$5,087,688.05	\$12,105,911.95	29.59%
SALE OF WATER OTHERS	8,930,000.00	3,325,661.44	5,604,338.56	37.24%
	<u>\$26,123,600.00</u>	<u>\$8,413,349.49</u>	<u>\$17,710,250.51</u>	<u>32.21%</u>
<u>OTHER INCOME</u>				
RENTALS	\$108,000.00	\$13,586.00	\$94,414.00	12.58%
LAB & MISCELLANEOUS	10,000.00	23,969.19	(13,969.19)	239.69%
GRANT REVENUE	5,000.00	0.00	5,000.00	0.00%
INTEREST ON INVESTMENTS	40,000.00	7,355.98	32,644.02	18.39%
	<u>\$163,000.00</u>	<u>\$44,911.17</u>	<u>\$118,088.83</u>	<u>27.55%</u>
TOTAL REVENUES:	<u>\$26,286,600.00</u>	<u>\$8,458,260.66</u>	<u>\$17,828,339.34</u>	<u>32.18%</u>
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$23,087,000.00	\$0.00	\$23,087,000.00	0.00%
WATER PURCHASE IN TRANSIT	0.00	6,371,014.80	(6,371,014.80)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	585,500.00	120,036.62	465,463.38	20.50%
POWER, PUMPING & GROUNDS	276,450.00	37,410.37	239,039.63	13.53%
COMPUTER OPERATIONS	71,000.00	12,597.36	58,402.64	17.74%
PURIFICATION	76,000.00	18,139.73	57,860.27	23.87%
METERS & MAINS	137,000.00	31,047.39	105,952.61	22.66%
ADMINISTRATIVE & GENERAL	941,700.00	237,575.07	704,124.93	25.23%
BOND INTEREST	0.00	0.00	0.00	0.00%
TOTAL EXPENDITURES	<u>\$25,174,650.00</u>	<u>\$6,827,821.34</u>	<u>\$18,346,828.66</u>	<u>27.12%</u>
NET INCOME BEFORE DEPRECIATION	\$1,111,950.00	\$1,630,439.32	-\$518,489.32	146.63%
DEPRECIATION	\$499,422.40	\$124,855.62	\$374,566.78	25.00%

Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
COMPARATIVE STATEMENT JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

	2015/16	2014/15	OVER OR (UNDER)
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$5,087,688.05	\$4,326,122.57	\$761,565.48
SALE OF WATER OTHERS	3,325,661.44	2,606,312.99	719,348.45
	<u>\$8,413,349.49</u>	<u>\$6,932,435.56</u>	<u>\$1,480,913.93</u>
<u>OTHER INCOME</u>			
RENTALS	\$13,586.00	\$13,797.00	(\$211.00)
LAB & MISCELLANEOUS	23,969.19	480.00	23,489.19
GRANT REVENUE	0.00	0.00	0.00
INT. ON INVESTMENTS	7,355.98	4,465.81	2,890.17
	<u>\$44,911.17</u>	<u>\$18,742.81</u>	<u>\$26,168.36</u>
TOTAL REVENUES	<u>\$8,458,260.66</u>	<u>\$6,951,178.37</u>	<u>\$1,507,082.29</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$0.00	\$0.00	\$0.00
WATER PURCHASE IN TRANSIT	6,371,014.80	5,628,218.07	742,796.73
OPERATING EXPENSES	456,806.54	436,961.29	19,845.25
FIXED CHARGES	0.00	0.00	0.00
TOTAL EXPENSES	<u>\$6,827,821.34</u>	<u>\$6,065,179.36</u>	<u>\$762,641.98</u>
NET INCOME	\$1,630,439.32	\$885,999.01	\$744,440.31

Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY
TOTAL CHARGES JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	14,396.200	\$233,478.65
BEVERLY HILLS	13,610.500	\$219,600.72
BINGHAM FARMS	4,371.100	\$69,395.41
BIRMINGHAM	39,928.600	\$641,170.14
CLAWSON	10,649.700	\$173,673.05
HUNTINGTON WOODS	7,853.500	\$126,355.41
LATHRUP VILLAGE	4,646.700	\$76,164.56
PLEASANT RIDGE	4,019.700	\$64,268.15
ROYAL OAK	72,760.200	\$1,183,640.77
SOUTHFIELD	136,024.100	\$2,207,086.49
DETROIT ZOO & RACKHAM	5,822.300	\$92,854.71
MEMBERS	314,082.600	\$5,087,688.05
NON-MEMBERS		
BLOOMFIELD HILLS	24,448.135	683,184.73
BOOOMFIELD TOWNSHIP	<u>94,190.888</u>	<u>2,642,476.71</u>
	<u>118,639.023</u>	<u>3,325,661.44</u>
TOTAL:	<u>432,721.623</u>	<u>\$8,413,349.49</u>

Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

FIXED ASSET EXPENDITURES

Administrative Office Remodel	<u>562.50</u>
TOTALS:	\$562.50



Berkley • Beverly Hills • Birmingham • Clawson • Ferndale • Hazel Park • Huntington Woods • Lathrup Village • Oak Park • Pleasant Ridge • Royal Oak • Troy

QUARTERLY REPORT October 2015

BOARD OF TRUSTEES	
Representative	Municipality
J. Bais-DiSessa	City of Berkley
C. Wilson	Village of Beverly Hills
L. Wood	City of Birmingham
M. Pollock	City of Clawson
L. Cureton	City of Ferndale
A. LeCureaux	City of Hazel Park
A. Sullivan	City of Huntington Woods
M. Baumgarten	City of Lathrup Village
R. Fortura	City of Oak Park
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
T. Richnak	City of Troy

OFFICERS	
Chairman:	G. Rassel
Vice Chair:	C. Wilson
Secretary:	T. Richnak
Advisory Committee:	C. Wilson G. Rassel

J. A. McKeen	General Manager
R. Jackovich	Operations Manager

October 2015

Board of Trustees
SOCRRA

Subject: Quarterly Report - October 2015

Board Members:

Attached is a copy of SOCRRA's Quarterly Report covering the first three months operation of the fiscal year 2015/16. The report contains a financial statement of the Authority's operation and an outline of projects in progress or completed during the quarter. The report also contains statistical information and other information of general interest to the members of this Authority.

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The governing body of the Authority is a Board of Trustees, consisting of one representative from each constituent municipality. The Board held its Organization Meeting on July 8, 2015, and members were elected to serve as Officers for the fiscal year beginning July 2015.

Following is a list of the current officers:

Chair:	Greg Rassel
Vice Chair:	Chris Wilson
Secretary:	Tim Richnak

Representatives on the Board are entitled to one vote for each 3,000 tons, or fraction thereof, of material delivered to the Authority during the preceding fiscal year. The number of votes of each constituent member for the fiscal year, beginning July 2015, is as follows:

Municipality	Votes
Berkley	4
Beverly Hills	3
Birmingham	6
Clawson	3
Ferndale	6
Hazel Park	4
Huntington Woods	3
Lathrup Village	1
Oak Park	7
Pleasant Ridge	1
Royal Oak	15
Troy	<u>15</u>
Total:	68

The Board meets in regular session once each month for the purpose of conducting all business coming before the Board.

The Authority is responsible for collecting recyclables, refuse and yard waste from the member communities and then recycling, disposing, or composting these materials. The Authority has entered into contracts with the individual members for a period extending to July 1, 2027. These contracts obligate the Authority to handle this material, charging rates sufficient to pay the operating costs and capital improvements.

FINANCIAL STATEMENT

The total net income for the first 3 months of 2015/16 was \$456,336, before depreciation. This was \$631,901 greater than planned and a significant increase from the net income of \$137,406 for the same period of 2014/15.

	<u>Actual</u>	<u>Compared to Budget</u>
Revenue	\$4,926,999	+ \$ 244,954
Expenses	\$4,470,662	- \$ 386,948
Net Income	\$ 456,336	+ \$ 631,901

The increase in revenue was due primarily to greater than planned non-member refuse from Car Trucking, Rizzo Services, Tringali Sanitation and our other cash customers (+\$245,000), higher member services revenue (+\$55,000), higher tonnage of non-member yard waste (\$24,000) and higher than planned compost sales (+\$10,000), which were partially offset by lower proceeds from the sale of recycled material (-\$79,000). The sale of recycled material generated \$195,000, which was 29% lower than budgeted and 8% lower than the revenue generated in the first quarter of 2014/15. The primary reasons for this decrease in revenue were the weak markets for all of our recycled materials.

Expenses were lower than budget due to reduced costs for non-labor Administrative and General expenses (-\$154,000), contract expenses (-\$132,000), maintenance (-\$36,000), labor (-\$36,000), utilities (-\$15,000) and supplies (-\$9,000). Additional financial detail is attached.

MATERIAL HANDLED

SOCRRA processed 51,665 tons of refuse, yard waste and recyclables during the first three months of the current fiscal year. This represents a decrease of 29% or 21,465 total tons compared to the same period last year. Member refuse tonnage was significantly higher last year due to all of the debris generated by the August 2014 flood disaster. Member refuse tonnage has finally returned to a normal level. The amount of recycling from the member communities increased by 443 tons or 10.5%. Member recycling tonnage from last year was also lower than normal due to the collection issues we experienced following the August 2014 flood disaster.

Our recent history of tonnage handled is displayed in the table below:

	2011/12	2012/13	2013/14	2014/15	2015/16
Member Refuse	28,626	27,400	28,666	50,064	28,386
Non-Member Refuse	7,384	7,361	7,799	10,890	9,876
Member Recycling	4,259	4,242	4,485	4,206	4,649
Non-Member Recycling	113	145	127	132	117
Yard Waste	<u>7,683</u>	<u>7,676</u>	<u>9,274</u>	<u>7,838</u>	<u>8,637</u>
TOTAL	48,066	46,824	50,351	73,130	51,665

CAPITAL EXPENDITURES

Capital expenditures totaled \$149,334 for the first quarter. The major expenditures were for the replacement of paving at the Troy Transfer Station that was damaged during the August 2014 flooding (\$71,000), renovations of one of our rental properties at the Compost Site (\$46,000, which has been reimbursed by our insurance company), for payments for the Scarab compost turner (\$18,000) and the initial expenses for the MRF baler reline project (\$8,000) and the MRF single stream conversion project (\$7,000).

MAJOR PROJECTS

RECYCLED COMMODITY PRICES

The prices that we receive for our recycled plastic and metal products have fallen to very low levels. Revenue from the sale of recyclables declined \$17,000 (8%) from last year and \$65,000 (25%) from two years ago. Prices have been consistently below the level used to prepare our budget. It appears that recycled commodity prices will remain low at least for the remainder of this fiscal year.

MRF SINGLE STREAM RECYCLING RFP

Changing to single stream recycling using 65 gallon recycling carts has been part of SOCRRA's long term plan to improve service to our residents and to generate additional recyclable material. In order to do this, SOCRRA needs to revise our collection contracts to include single stream recycling, develop the ability to process the single stream material at our Materials Recovery Facility (MRF) and provide the 65 gallon recycling carts to all of the households in the 12 SOCRRA communities. Accomplishing all of this will result in significant expenditures.

For the first phase of this project, SOCRRA staff worked with Resource Recycling Systems (RRS) to develop a Request for Proposals for the conversion of our MRF to single stream recycling. This would enable SOCRRA to process the commingled recyclables that would be generated by our residents using the 65 gallon recycling carts. The RFP was sent out on September 21, 2015. The RFP offers 2 options for a single stream MRF, Design/Build or Design/Build/Operate and a third option to transfer of single stream recyclables to another location for processing. Given the current very low commodity prices, we expect to receive proposals for Design/Build and Transfer. Proposals are due on November 24, 2015. We plan to bring a summary of the proposals to the December Board meeting and ask Board approval of a proposal in early 2016.

We held a pre-proposal meeting on Wednesday, October 7. Fourteen potential proposers attended including equipment manufacturers: BHS, CPG, Green Machine, Machinex, RRT, Sherbrooke and Van Dyk/Bollegraaf, MRF operators American Waste, Emterra, ReCommunity and REMM and large waste firms Republic, Rizzo and Waste Management. FTCH, the architectural firm that designed the MRF also attended. They could potentially be a partner for the equipment manufacturers.

The meeting went very well with a significant number of questions, particularly from the equipment manufacturers. A listing of the questions that were received both during the meeting and after the meeting and their answers were distributed to all the participants. I was pleasantly surprised by the number of potential proposers that attended the meeting and their level of engagement with the RFP.

COLLECTION CONTRACTS

SOCRRA's current collection and disposal contracts all expire on June 30, 2017. The SOCRRA Board has approved a plan of renegotiating the collection contracts with the current providers so that they include single stream recycling. SOCRRA General Counsel, Bob Davis, has developed a draft contract that simplifies the existing agreement and includes single stream recycling. This draft contract will be reviewed with the contractors during November. We plan to have final contracts ready for review by the SOCRRA Board in early 2016.

CHANGES TO SOCRRA'S HOUSEHOLD HAZARDOUS WASTE PROGRAM

As of September 1, 2015, SOCRRA is no longer requiring residents to make an appointment in order to use our Household Hazardous Waste (HHW) and Electronics drop-off services at our Troy recycling center. We made this change in order to provide better service to our residents and to eliminate the large number of telephone calls that were made to both the SOCRRA office and to the Troy drop-off center in order to schedule appointments. We have also eliminated the 30 minute lunch time closure period. These changes have significantly improved the service to our residents. We have received many positive comments regarding these changes from our residents.

RECYCLING REBATES

During 2014/15, SOCRRA member communities earned a total of \$624,717 in credits for the recyclables generated from the curbside recycling program in their community. These credits reduced the amount that each community pays for the services provided by SOCRRA. This was approximately the same amount credited to the member communities for recycling in 2013/14. However, for 2015/16, the price per ton credited to the member communities for recycling was reduced from \$35 per ton to \$25 per ton due to the continued low prices we are receiving for our recycled materials.

RECYCLING REBATES CREDITED TO SOCRRA COMMUNITIES

COMMUNITY	REBATE PAID
Berkley	\$37,720
Beverly Hills	38,514
Birmingham	72,176
Clawson	25,064
Ferndale	53,313
Hazel Park	19,239
Huntington Woods	36,741
Lathrup Village	6,900
Oak Park	28,191
Pleasant Ridge	10,306
Royal Oak	136,739
Troy	159,814
TOTAL	\$624,717

RECYCLING BIN BLITZ

As part of our celebration of America Recycles Day on November 15, during the month of November, SOCRRA and the member communities will again be selling recycling bins at a reduced price of \$6. This is about half of the usual price. We are doing this in order to encourage more residents to recycle and to use more than one bin for recycling in order to recycle the full range of materials that can be collected through our curbside recycling program. We hope to sell 1,000 recycling bins during the month of November.

STYROFOAM RECYCLING

The SOCRRA Board approved an agreement with Dart Industries that will allow us to continue to accept Styrofoam for recycling at our recycling drop-off center in Troy. Dart is providing this recycling service on a no cost/no pay basis. We will not be accepting Styrofoam as part of our curbside recycling program. Our ability to accept this material at our recycling drop-off center has generated a substantial amount of material and has been very popular with our residents. Our facility is now one of the largest Styrofoam recycling centers in the state.

ANNUAL AUDIT

Representatives of Plante & Moran were in the SOCRRA office for a week during September performing their audit of our accounting records. The final audit is being reviewed with the SOCRRA Audit Committee during October, 2015 and will be reviewed by the SOCRRA Board at their November, 2015 meeting.

Respectfully submitted,

Jeffrey A. McKeen, P.E.
General Manager

Attachment 2

SOCRRA
STATEMENT OF INCOME
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$4,185,345.00	\$4,240,358.00	\$55,013.00
NON-MEMBER REFUSE	165,000.00	410,011.45	245,011.45
NON MEMBER YARD WASTE	12,000.00	36,394.40	24,394.40
	<u>\$4,362,345.00</u>	<u>\$4,686,763.85</u>	<u>\$324,418.85</u>
<u>RECYCLING</u>			
NEWSPAPERS	\$102,000.00	\$71,292.48	(\$30,707.52)
BOXBOARD	34,000.00	31,537.31	(\$2,462.69)
CARDBOARD	9,000.00	8,935.86	(64.14)
PLASTIC	86,000.00	59,208.32	(26,791.68)
SCRAP METAL	13,000.00	9,745.69	(3,254.31)
TIN CANS	20,000.00	6,844.13	(13,155.87)
NON FERROUS METAL	3,000.00	2,999.55	(0.45)
GLASS	2,000.00	0.00	(2,000.00)
BATTERIES	600.00	1,676.00	1,076.00
USED ELECTRONICS	4,000.00	2,308.85	(1,691.15)
	<u>\$273,600.00</u>	<u>\$194,548.19</u>	<u>(\$79,051.81)</u>
<u>OTHER</u>			
REVENUES-COMPOST	\$14,000.00	\$23,836.00	\$9,836.00
INTEREST ON INVESTMENTS	5,100.00	2,120.75	(2,979.25)
RENTAL INCOME	21,000.00	17,705.00	(3,295.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	6,000.00	2,024.72	(3,975.28)
	<u>\$46,100.00</u>	<u>\$45,686.47</u>	<u>(\$413.53)</u>
TOTAL REVENUES	<u><u>\$4,682,045.00</u></u>	<u><u>\$4,926,998.51</u></u>	<u><u>\$244,953.51</u></u>
<u>EXPENSES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$15,450.00	\$6,587.28	(\$8,862.72)
TROY TRANSFER FACILITY	354,814.00	394,575.55	39,761.55
MATERIAL RECOVERY FACILITY	319,544.00	265,581.93	(53,962.07)
HOUSEHOLD HAZARDOUS WASTE	75,100.00	61,316.15	(13,783.85)
COMPOST/LANDFILL FACILITY	117,250.00	103,167.39	(14,082.61)
ADMINISTRATIVE & GENERAL	360,395.00	199,055.94	(161,339.06)
COLLECTION FEES	1,730,223.00	1,525,800.78	(204,422.22)
COLLECTION & DISPOSAL FEES IN TRANSIT	1,884,834.00	1,914,577.36	29,743.36
	<u>\$4,857,610.00</u>	<u>\$4,470,662.38</u>	<u>(\$386,947.62)</u>
REVENUES OVER EXPENSES	(\$175,565.00)	\$456,336.13	\$631,901.13
NET INCOME BEFORE DEPRECIATION	<u><u>(\$175,565.00)</u></u>	<u><u>\$456,336.13</u></u>	<u><u>\$631,901.13</u></u>

Attachment 2

SOCRRA
STATEMENT OF INCOME
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

	TOTAL TONS	AMOUNT
<u>REVENUE</u>		
MEMBER SERVICES	28,385.78	\$4,240,358.00
NON-MEMBER REFUSE	9,876.35	410,011.45
<u>YARD WASTE</u>		
MEMBERS	8,199.12	0.00
OTHERS	438.18	36,394.40
<u>RECYCLABLES</u>		
MEMBERS	4,648.53	0.00
OTHERS	117.38	0.00
	<hr/> 51,665.34	<hr/> \$4,686,763.85
<u>RECYCLING</u>		
NEWSPAPERS		\$71,292.48
BOXBOARD		31,537.31
CARDBOARD		8,935.86
PLASTIC		59,208.32
SCRAP METAL		9,745.69
TIN CANS		6,844.13
NON FERROUS METAL		2,999.55
GLASS		0.00
BATTERIES		1,676.00
USED ELECTRONICS		<hr/> 2,308.85
		<hr/> \$194,548.19
<u>OTHER</u>		
COMPOST SALES		\$23,836.00
INTEREST ON INVESTMENTS		2,120.75
RENTAL INCOME		17,705.00
GRANTS		0.00
MISC. INCOME		<hr/> 2,024.72
		<hr/> 45,686.47
 TOTAL REVENUE		 <hr/> <hr/> \$4,926,998.51
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$6,587.28
TROY TRANSFER FACILITY		394,575.55
MATERIAL RECOVERY FACILITY		265,581.93
HOUSEHOLD HAZARDOUS WASTE		61,316.15
COMPOST/LANDFILL FACILITY		103,167.39
ADMINISTRATIVE & GENERAL		199,055.94
COLLECTION CONTRACT EXPENSES		1,525,800.78
COLLECTION & DISPOSAL FEES IN TRANSIT		<hr/> 1,914,577.36
		<hr/> \$4,470,662.38
 NET INCOME BEFORE DEPRECIATION		 \$456,336.13
 DEPRECIATION		 107,199.54
 NET INCOME		 <hr/> <hr/> \$349,136.59

Attachment 2

SOCRRA
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

<u>REVENUES</u>	TOTAL BUDGET 2015/16	ACTUAL 3 MONTHS	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,067,700.00	\$4,240,358.00	\$12,827,342.00	25%
NON-MEMBER REFUSE	660,000.00	410,011.45	249,988.55	62%
<u>YARD WASTE</u>				
NON-MEMBERS	70,000.00	36,394.40	33,605.60	52%
	<hr/>	<hr/>	<hr/>	
	\$17,797,700.00	\$4,686,763.85	\$13,110,936.15	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$610,000.00	\$71,292.48	\$538,707.52	12%
BOXBOARD	210,000.00	31,537.31	178,462.69	15%
CARDBOARD	53,000.00	8,935.86	44,064.14	17%
PLASTIC	518,000.00	59,208.32	458,791.68	11%
SCRAP METAL	79,000.00	9,745.69	69,254.31	12%
TIN CANS	121,000.00	6,844.13	114,155.87	6%
NON FERROUS METAL	17,000.00	2,999.55	14,000.45	18%
GLASS	13,000.00	0.00	13,000.00	0%
BATTERIES	4,000.00	1,676.00	2,324.00	42%
USED ELECTRONICS	24,000.00	2,308.85	21,691.15	10%
	<hr/>	<hr/>	<hr/>	
	\$1,649,000.00	\$194,548.19	\$1,454,451.81	12%
<u>OTHER</u>				
COMPOST SALES	\$60,000.00	\$23,836.00	\$36,164.00	40%
INTEREST ON INVESTMENTS	20,000.00	2,120.75	17,879.25	11%
RENTAL OF HOMES	90,000.00	17,705.00	72,295.00	20%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	2,024.72	22,975.28	8%
	<hr/>	<hr/>	<hr/>	
	\$195,000.00	\$45,686.47	\$149,313.53	23%
 TOTAL REVENUES	 <hr/> <hr/>	 <hr/> <hr/>	 <hr/> <hr/>	 25%

SOCRRA
STATEMENT OF REVENUES & EXPENDITURES
COMPARED WITH TOTAL BUDGET
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

-4-

S O C R R A
COMPARATIVE STATEMENT
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

Attachment 2

	<u>2015/16</u>	<u>2014/15</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$4,240,358.00	\$4,303,758.32	(\$63,400.32)
NON MEMBER REFUSE	410,011.45	412,882.58	(2,871.13)
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	36,394.40	28,274.80	8,119.60
	<hr/>	<hr/>	<hr/>
	\$4,686,763.85	\$4,744,915.70	(\$58,151.85)
<u>RECYCLABLES</u>			
NEWSPAPERS	\$71,292.48	\$78,416.10	(\$7,123.62)
BOXBOARD	31,537.31	23,410.00	8,127.31
CARDBOARD	8,935.86	8,992.61	(56.75)
PLASTIC	59,208.32	64,677.65	(5,469.33)
SCRAP METAL	9,745.69	12,080.63	(2,334.94)
TIN CANS	6,844.13	15,059.52	(8,215.39)
NON FERROUS METAL	2,999.55	2,616.00	383.55
GLASS	0.00	544.25	(544.25)
BATTERIES	1,676.00	794.00	882.00
USED ELECTRONICS	2,308.85	5,069.88	(2,761.03)
	<hr/>	<hr/>	<hr/>
	\$194,548.19	\$211,660.64	(\$17,112.45)
<u>OTHER</u>			
COMPOST SALES	\$23,836.00	\$19,630.20	\$4,205.80
INTEREST ON INVESTMENTS	2,120.75	2,455.32	(334.57)
RENTAL OF HOMES	17,705.00	20,887.00	(3,182.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	2,024.72	2,031.50	(6.78)
	<hr/>	<hr/>	<hr/>
	\$45,686.47	\$45,004.02	\$682.45
TOTAL REVENUES	\$4,926,998.51	\$5,001,580.36	(\$74,581.85)
OPERATING EXPENSES	\$4,470,662.38	\$4,864,174.09	(\$393,511.71)
EXCESS	<hr/>	<hr/>	<hr/>
	\$456,336.13	\$137,406.27	\$318,929.86

Attachment 2

SOCRRA
TOTAL SERVICE CHARGES
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	1,918	\$229,764.80
BEVERLY HILLS	1,808	\$158,100.00
BIRMINGHAM	3,808	\$355,138.54
CLAWSON	2,086	\$193,956.76
FERNDALE	3,689	\$429,951.80
HAZEL PARK	2,226	\$272,850.00
HUNTINGTON WOODS	995	\$86,448.00
LATHRUP VILLAGE	684	\$71,272.34
OAK PARK	3,492	\$408,671.02
PLEASANT RIDGE	433	\$45,063.32
ROYAL OAK	8,926	\$929,573.27
TROY	11,169	1,059,568.15
	<hr/>	<hr/>
SUB-TOTAL	41,233	\$4,240,358.00
	<hr/>	<hr/>
OTHER CUSTOMERS	10,342	\$446,405.85
DROP OFF CENTERS	90	0.00
	<hr/>	<hr/>
TOTAL	51,665	\$4,686,763.85

Attachment 2

SOCRRA
IMPROVEMENT FUND
JULY 1, 2015 THROUGH SEPTEMBER 30, 2015

EXPENDITURES

TS Cement	\$70,880.39
CS SCRAB	18,018.22
1670 School RD -	45,721.91
Single Stream Conversion	6,885.00
MRF Baler Relining	7,828.00
TOTAL	<hr/> \$149,333.52
	 \$149,333.52